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Value	Change
3,006.62	38.97 ▲
2,649.71	33.35 ▲
807.90	2.93 ▲
10,744.54	96.03 ▲
1,367.40	13.28 ▲
626.42	4.70 ▲
61.33	0.49 ▼

UNIT 1 Introduction

Unit Overview

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1. **How Much for a Life? Try \$3 Million to \$5 Million**, Peter Passell, *The New York Times*, January 29, 1995

Much economic reasoning is based on the **opportunity cost** principle, the idea that any decision involving scarce resources must involve costs in terms of **foregone alternatives** elsewhere. Peter Passell applies this principle to an age-old question: What is the value of a human life?

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2. **More, Bigger, Faster**, Amar Bhidé, *Across the Board*, September/October 2004

Economist Joseph Schumpeter once insisted that the process of **creative destruction**—through which old industries are continuously being replaced by new ones—was an essential fact about capitalism. In this article Amar Bhidé demonstrates how capitalism will thrive as long as we can **create new wants**—and **new products** to meet them.

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3. **Counter-Terrorism: The Private Cost of More Security**, Peter Navarro, *Los Angeles Times*, September 8, 2002

Peter Navarro argues that the greater danger that **terrorism** poses to America may be purely economic. The danger lies in a severe **productivity shock** that could lead to a gross domestic product trillions of dollars below what it otherwise would be.

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UNIT 2 Microeconomics

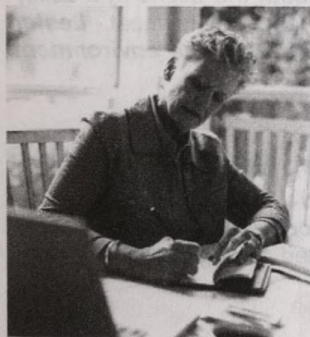
Unit Overview

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4. **Smoke Signals**, *The New York Times*, New Jersey Sunday Edition, January 10, 1999

One of the more useful concepts in microeconomics is **demand elasticity**, which measures the responsiveness of consumer demand to changes in prices. Several years ago the New Jersey legislature doubled the state cigarette tax in an effort to reduce smoking. This article examines the impact that this has had on cigarette sales in both New Jersey and nearby states.

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5. **Jousting for Television's Holy Grail**, Neil Munro, *National Journal*, June 8, 2002

The **cable TV industry** is beating its two rivals in the battle to control **the fate of digital TV**. Neil Munro describes efforts of the cable TV industry, consumer electronics firms, TV broadcasters, and TV and movie producers to control the course of digital TV.

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6. **Bruised in Bentonville**, Andy Serwer, *Fortune*, April 18, 2005

In business, there is big and there is **Wal-Mart**, the world's largest company. Studies show that the market power that Wal-Mart exerts depresses wages, dominates suppliers, polices the culture, and disrupts communities. Andy Serwer asks: **Can the world's biggest company adjust?**

18

7. **Airlines**, Giovanni Bisignani, *Foreign Policy*, January/February 2006

Bankruptcies, terrorism, and high oil prices have rocked the airline industry while customers complain about bad services and long lines. **Are the airlines doomed?** Giovanni Bisignani believes air travel will survive, but not without major changes in the way the industry is organized.

21

8. **Modernizing U.S. Antitrust Law: The Role of Technology and Innovation**, Thomas A. Hemphill, *Business Economics*, April 2005

Maintaining and promoting a competitive economic environment and protecting consumer welfare are the central objectives of **antitrust policy**. Thomas A. Hemphill examines ways in which **technological and market innovation** contribute to antitrust goals.

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9. **The Real Price of Gas**, *International Center for Technology Assessment*, November 1998

The retail price Americans pay for gasoline appears to be low in comparison with prices prevailing in most other nations. Adding in the many **external costs** that consumers pay indirectly by way of increased taxes, insurance costs, and retail prices in other sectors, this study estimates the **real per gallon price to be in excess of \$15**.

29

10. **The Truth About Oil**, Jon Birger, *Fortune*, October 3, 2005

Pain at the pump has quite a few Americans upset. Chances are, though, they are angry about the wrong things. Jon Birger examines **five myths many people believe about today's oil pinch**—and what the real story is.

31

11. **The Eco-Economic Revolution: Getting the Market in Sync with Nature**, Lester R. Brown, *The Futurist*, March/April 2002

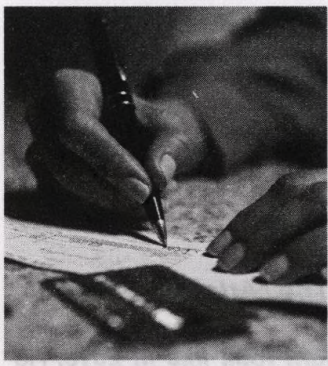
Because the economy is largely dependent on the consumption of fossil fuels that result in carbon emission byproducts, concerns exist about the economy's ability to reduce these emissions without sacrificing output and employment. **Lester Brown shows how responsible policies might benefit both the environment and economy.**

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12. **Congested Parks—A Pricing Dilemma**, Dan M. Bechter, *Monthly Review*, (Federal Reserve Bank of Kansas City), June 1971

Overcrowding at public parks creates a **classic microeconomic dilemma**: people face insufficient parking space, which must be allocated through adjusting park fees.

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UNIT 3

The Economics of Work and Income

Unit Overview

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13. Building a More-Humane Economy, Robert D. Atkinson, *The Futurist*, May/June 2006

According to Robert D. Atkinson, **achieving a more-humane economy** requires neither an anticorporate crusade nor a simple-living, back-to-nature movement. Rather, it entails promoting **more humane high-performance work organizations** and robust and sustained **productivity growth** that will enable people to work less without earning less.

50

14. The Rich Get (Much) Richer, Steven Rattner, *BusinessWeek*, August 8, 2005

The notorious **income gap keeps widening**. Over the past three decades the share of income going to the top 1% of U.S. households has nearly doubled, while the share garnered by the top 0.01%—the 13,000 or so households with an average income of \$10.8 million in 2002—has multiplied nearly four times. Steven Rattner suggests ways to reduce this imbalance.

55

15. Outsourcing Jobs: The Myths and Realities, Martin N. Baily and Diana Farrell, *Current*, February 2005

The authors maintain that **the debate over outsourcing** is misplaced because the issue is not globalization, but instead the way nations allocate the benefits of economic integration. They suggest various ways in which public policy can help disadvantaged workers.

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16. Laid Off and Left Out, Bob Herbert, *The New York Times*, May 25, 2006

In this review of Louis Uchitelle's new book, "The Disposable American: Layoffs and Their Consequences," Bob Herbert says that there is no doubt that the better-educated and better-trained worker gets better jobs. But the reality is that there are not enough good jobs available to meet the demand for them.

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17. Multiple Minimums, John M. Broder, *The New York Times Upfront*, February 20, 2006

While the U.S. Congress has not raised the **federal minimum wage** for almost 10 years, some states have taken action. John M. Broder analyzes the possible impacts of these minimum wage increases and how they might affect the equality of life among unprofessional workers.

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18. The Gender Gyp, Thomas N. Bethell, *AARP Bulletin*, July–August 2005

Because they tend to have greater longevity than men, women are more likely to need income for decades after their earning years draw to a close. Thomas N. Bethell shows why **Social Security is all the more important for women**. While for men it is primarily a worker retirement program, for women it becomes a family insurance plan.

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19. The Health Care Crisis and What to Do About It, Paul Krugman and Robin Wells, *The New York Review of Books*, March 23, 2006

Americans spend some 16 percent of gross domestic product on health care, while other advanced nations spend far less. Yet, in general, judging by life span and infant mortality, most developed nations are healthier than the United States. Paul Krugman and Robin Wells present some ideas about **how to improve the quality of care for every dollar spent**.

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UNIT 4

Macroeconomics

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20. **Countdown to a Meltdown**, James Fallows, *The Atlantic Monthly*, July/August 2005

James Fallows *imagines what the U.S. economy might look like in 2016*. He uses the scenario he creates to pinpoint challenges with which the country must deal with now.

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21. **Seizing Intangibles for the G.D.P.**, Louis Uchitelle, *The New York Times*, April 9, 2006

Louis Uchitelle asserts that when it comes to measuring how much the American economy produces and who gets what share of the pie, the federal government's most celebrated statistic—the **gross domestic product**—leaves something to be desired.

90

22. **The Elephant in the Room**, Aidan Rankin, *The Ecologist*, December/January 2005

According to Aidan Rankin, the **pursuit of economic growth** makes global and regional inequalities more obvious and extreme. And yet policy makers and political campaigners remain in thrall to the idea that the **"trickle down effect"** might one day take place, and that an **invisible hand** might somehow fashion order out of economic chaos.

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23. **Social Spending and Economic Growth**, Interview with Peter Lindert, *Challenge*, July/August 2004

Prevailing opinion holds that big government and high taxes reduce economic growth. But Peter Lindert in his book "Growing Public: Social Spending and Economic Growth Since the Eighteenth Century" disagrees. He shows how states that spend a lot on social programs grow no more slowly than those that spend little.

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24. **Why Are Taxes So Complicated and What Can We Do About It?**, William G. Gale, *The Brookings Review*, Winter 1999

Since virtually everyone agrees that taxes should be easy to understand, administer, and enforce, **why are taxes so complicated?** The author suggests that people also agree that taxes should be fair, should be conducive to economic prosperity, should raise sufficient revenue to finance government spending, and should respect the privacy of individuals.

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25. **The Tax Reform Revolution**, Murray Weidenbaum, *USA Today*, January 2005

Murray Weidenbaum maintains that the **four approaches to tax reform**—flat, USA, national sales, and valued-added—are all variations on the same theme. All would shift the base of federal taxation **from income to consumption** while **simplifying** the process of complying with tax law.

100

26. **Tax Reform R.I.P.**, Robert J. Samuelson, *The Washington Post*, May 12, 2004

The **appeal of tax breaks** is that they give the appearance of reducing the government's size, even as government interference in the economy increases. A tax system (such as that of the United States) that has a huge number of such breaks cannot be simple, will contain many contradictions, and is ultimately "unfair."

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27. **Link Between Taxation, Unemployment Is Absent**, Jonathan Weisman, *The Washington Post*, March 15, 2004
Following federal tax increases in 1993, the U.S. unemployment rate dropped steadily for seven years. When taxes were cut in 2001, the jobless rate rose and in 2003 (when taxes were cut again) unemployment increased again. Jonathan Weisman contends that the **relationship between taxes and unemployment** is far more complicated than many people (including politicians) understand. 105
28. **What Should Central Banks Do?**, Frederic S. Mishkin, *Review (Federal Reserve Bank of St. Louis)*, November/December 2000
In the last 20 years, there has been substantial rethinking about **how central banks should do their job**. Frederic Mishkin discusses seven basic principles that can serve as useful guides for central banks to achieve their objectives. 106
29. **How Does Monetary Policy Affect the U.S. Economy?**, *FRBSF Economic Letter*, January 30, 2004
This article discusses how **Federal Reserve policy actions** affect real interest rates, which in turn affect aggregate demand and ultimately output, employment, and inflation. 116
30. **It's His Economy Now—And Yours**, Justin Fox, *Fortune*, November 28, 2005
As **Ben Bernanke replaces Alan Greenspan** as chairman of the Federal Reserve System, a number of large issues face America—stagnant pay, a pension crisis, and a troubled health care system, among them. Justin Fox argues that the trouble is that these are matters that Bernanke won't be able to do anything about. 119
31. **Banking Consolidation**, *FRBSF Economic Letter*, June 18, 2004
As **megamergers** continue to shape the structure of the **U.S. banking industry**, this article looks at the economic drivers behind them and highlights some important policy implications. 122
32. **Bank ATMs and ATM Surcharges**, *FRBSF Economic Letter*, December 16, 2005
The **automated teller machine (ATM)** has become a part of everyday life and processes in excess of 30 million transactions per day. This article examines various reasons for the recent proliferation of ATMs, and the **pricing schemes** that accompany them. 125
33. **Toward a Cashless Society**, David R. Warwick, *The Futurist*, July/August 2004
Until recently, it appeared that America was headed toward the use of a **completely electronic payments system**. David Warwick argues that the **benefits that might result from ending the use of cash** could include major reductions in taxes, vastly improved public services, and the total eradication of many of the most serious and violent crimes. 128



UNIT 5

The Changing Global Economy

Unit Overview

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34. **Update on the State of the Future**, Jerome C. Glenn and Theodore J. Gordon, *The Futurist*, January/February 2006

The authors assert that global prospects for improving the overall health, wealth, and sustainability of humanity are increasing, but slowly. In the years ahead, **globalization** will present humanity with **both challenges and opportunities** as increased connectivity highlights the strengths and shortcomings as a global community.

135

35. **As Job Exports Rise, Some Economists Rethink the Mathematics of Free Trade**, Jeff Madrick, *The New York Times*, March 18, 2004

The standard tenets of **free trade** strongly support the case for outsourcing. Most economists believe that the benefit of lower prices gained from free trade far exceed the cost of lost jobs or lower wages. Recent studies take issue with this view.

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36. **Is the Current Account Deficit Sustainable?**, *The NBER Digest*, December 2004

Some economists and politicians are concerned about America's **current account deficit**, which has risen to a level near 6 percent of GDP. A study by the National Bureau of Economic Research argues that the risks of a high and rising deficit may be more serious than just a few years ago.

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37. **The High-Tech Threat from China**, Jeffrey E. Garten, *Business-Week*, January 31, 2005

The news is full of headlines about **China**—its rising trade surplus, ballooning currency reserves, relentless search for oil, and tensions with the United States over textiles and intellectual property rights. Jeffrey E. Garten cautions that one development has been seriously underreported—the possibility that China may become a **technological superstate**.

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38. **Building Blocks**, Christian Caryl, *Newsweek International*, December 12, 2005

The Association of Southeast Asian Nations (ASEAN) is considering broadening its membership to include China, Japan, and South Korea. Christian Caryl considers what further integration of this part of the global economy might mean for world trade.

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39. **Where the Money Went**, James S. Henry, *Across the Board*, March/April 2004

How did **developing countries** end up owing \$2.5 trillion? James S. Henry argues that Western institutions haven't exactly been innocent bystanders.

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40. **Asymmetric Globalization: Global Markets Require Good Global Politics**, Nancy Birdsall, *Brookings Review*, Spring 2003

In the global game, economic power matters. In the last two decades, most **developing countries** took steps to open and liberalize their markets. Nancy Birdsall asks: what are the implications of market-led globalization for the world's poor nations?

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41. **Will the World Run Dry? Global Water and Food Security**, Mark W. Rosegrant, Ximing Cai, and Sarah A. Cline, *Environment*, September 2003

Demand for the world's increasingly scarce water supply is rising rapidly, challenging its availability for food production and putting global food security at risk. The authors say that ***the impending water crisis*** can be averted, but only if fundamental reform of the water sector is undertaken now.

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42. **Do Global Attitudes and Behaviors Support Sustainable Development?**, Anthony A. Leiserowitz, Robert W. Kates, and Thomas M. Parris, *Environment*, November 2005

Many advocates of sustainable development recognize that a transition to ***global sustainability***—meeting human needs and reducing hunger and poverty while maintaining the life-support systems of the planet—will require changes in human values, attitudes, and behaviors. This article reports on what is currently known about such attitudes and behaviors.

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43. **Eliminating Child Labor**, Miriam Wasserman, *Regional Review*, Second Quarter 2000

Much of the developing world continues to rely on ***child labor***. Miriam Wasserman asks: Can we learn from the U.S. experience about what is required for its elimination?

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